MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

BBF3624 – CREDIT MANAGEMENT

(All Sections/Groups)

17 OCTOBER 2020
9:00 A.M. – 12:00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 3 pages.

2. Attempt **ALL 4 (FOUR)** questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

The COVID-19 outbreak has a growing impact on the global economy and it has affected business in every possible manner, particularly their working capital. The government under the PENJANA incentive (Covid-19 Financial Relief Assistance Programme) allocated RM6 billion funds to the banking sector to offer financing facilities as stimulus packages directed at small and medium enterprises (SMEs) that have been adversely impacted by COVID-19. CIMB bank introduces a few relief measures to help businesses to get back on track and ease their cash flow problems. CIMB is working with Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP) and Danajamin Nasional Bhd (Danajamin) to roll out the SJPP Government Scheme Covid-19 (GGS Prihatin) and Danajamin Prihatin Guarantee scheme (DPGS) respectively.

Without robust and strategic marketing, the stimulus packages would not be able to reach out to the right target sector.

A. Propose and discuss **FIVE (5)** strategies to promote the stimulus packages as CIMB is expected to ensure that the scheme limit allocated to the bank is fully utilised.
(10 marks)

B. However, there are risks associated with SMEs. Elaborate **FOUR (4)** of those risks.
(10 marks)

(Total: 20 marks)

QUESTION 2

Exporters insist on cash-in-advance to eliminate credit risk or the risk of non-payment. Cash-in-advance is by far the safest and the best mode of payment in international trade for the exporter, in which they ship the goods to the buyer only after the receipt of payment from the buyer. However, since in this case the buyer takes on the bulk of the risk associated with the transaction. So, most importers are unwilling to enter into cash-advance agreements.

Importing and exporting involves risks. Exporters run the risk of buyers failing to pay for goods, while importers may risk paying but never receive anything.

A. Elaborate how you would advise the importers in resolving and settling the disputes.
(6 marks)

B. Provide explanation and illustration on the process to the importers.
(14 marks)

(Total: 20 marks)

Continued…

QUESTION 3

A. Compare and contrast the **THREE (3)** judgmental credit analysis or loan assessment methods.

(17 marks)

B. Does a bank still need to carry out analysis even though the loan has been classified as an impaired asset or non-performing loan? Explain.

(3 marks)

(Total: 20 marks)

QUESTION 4

The following information are extracted from a company's books of accounts; all figures are in thousands of Ringgit RM'000:

Revenue	RM129,076
Cost of sales	RM(87,205)
Other operating income	RM1,123
Selling and distribution expenses	RM(31,044)
Administrative expenses	RM(7,823)
Other operating expenses	RM538
Property, plant and equipment	RM133,674
Prepaid lease rental	RM169
Investment in associate	RM322
Available for Sale Investments	RM18,704
Intangible assets	RM459
Investment property	RM8,887
Other non-current assets	RM1,296
Assets held for sales	RM1,986
Inventories	RM34,988
Available for Sale Investments	RM9,242
Trade and other receivables	RM85,534
Tax recoverable	RM4,932
Deposits, Cash and bank balances	RM36,010
Trade and other payables	RM55,411
Short-term borrowings	RM20,005
Deferred tax liabilities	RM4,179
Share capital	RM151,333
Treasury Shares	RM(12,368)
Reserves (retained earnings)	RM117,559
Minority shareholders' interests	RM84

Continued…

A. Prepare a statement of financial position or balance sheet for the company in vertical style or report format.

(15 marks)

B. Calculate the company's financial position by measuring its liquidity and comments on the results.

(5 marks)

C. The company having shares outstanding of 145,665,195 and the share market price is RM4.39 per share. Calculate the Altman Z score and interpret the results and each of the components.

(15 marks)

D. Why assessment using Altman Z score cannot be used on new companies?

(5 marks)

(Total: 40 marks)

End of paper